

Minutes of the Meeting of the Audit Committee Held on September 16, 2010

The meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on September 16, 2010 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Members Present Kit Hale, Chair
John P. McCann
Manju Ganeriwala

Others Present Susan F. Dewey, Executive Director
Arthur N. Bowen, III, Managing Director of Finance & Administration
Russ E. Wyatt, General Auditor
Melody Barackman, Controller
Rob Churchman, KPMG
Kathy Glass, KPMG
Michelle Edmonds, Sr. Executive Assistant

Meeting Called to Order The meeting was called to order at 1:05 p.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting.

FY 2010 Audited Financials Kathy Glass and Rob Churchman reported the results of their recently completed audit of VHDA's financial statements for the FY 2010. The reports presented by KPMG included their opinion letter and report on internal controls, noting that they did not identify any deficiencies in internal control over financial reporting that they considered to be material weaknesses. They also presented a letter to the Committee describing their responsibilities for expressing an opinion on the fair presentation of the financial statements.

In accordance with the annual reporting requirements of the Audit Committee Charter, KPMG reported and provided a handout to the Audit Committee describing the following:

- KPMG's responsibility under professional standards;
- 2010 Audit Results;

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FY 2009
Audited
Financials
(cont'd)

- Significant Risks/Issues and Findings;
- Required Communications to the Audit Committee;
 - Significant accounting policies and unusual transactions;
 - Accounting policies and alternative treatments;
 - Management judgments and accounting estimates;
 - Audit adjustments and uncorrected audit difference; and
 - Other required communications.

Kathy Glass reported that specialist assistance was obtained for 1) Actuarial (pension accounting and disclosure); 2) Investments (securities pricing); and 3) Information Technology (IT general controls and key application controls). The final document will be prepared to meet the state deadline.

The Committee then met with KPMG, without the presence of staff, to discuss any matters of which KPMG believed the Committee should be aware.

Report on
Monthly
Financials and
Budget
Comparisons

Melody Barackman reviewed highlights of VHDA's balance sheet as of June 30, 2010 and operating statement for the year ending June 30, 2010. Operating income, which excludes investment earnings, totaled \$84.3 million for FY 2010. Investment income was negatively impacted by write-off's of certain mortgage-backed securities, however, net assets for FY 2010 increased by a total of \$102.4 million after taking into account unrealized increases in the fair value of investments totaling \$41.6 million.

Total assets increased to \$9.6 billion as of June 30, 2010 while net assets increased to \$2.2 billion.

Adjournment

There being no further business, the meeting was adjourned at 2:02 p.m.

Russ E. Wyatt
General Auditor

Kit Hale
Chairman